

**AUDITED FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**MUSKOGEE SCHOOL DISTRICT NO. I-20,  
MUSKOGEE COUNTY, OKLAHOMA**

**JUNE 30, 2022**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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**INDEPENDENT SCHOOL DISTRICT NO. 1-20, MUSKOGEE COUNTY  
SCHOOL DISTRICT OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2022**

BOARD OF EDUCATION

President	Larry Stewart
Vice-President	Debra HorseChief
Clerk	Danny Shiew
Dep. Clerk	Bobby Jefferson
Member	Tommy Anderson

SUPERINTENDENT OF SCHOOLS

Dr. Jarod Mendenhall

TREASURER

Mika Barton

EXECUTIVE DIRECTOR OF FINANCE

David Chester, CPA



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Education  
Muskogee School District No. I-20  
Muskogee, Oklahoma 74401

**Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muskogee School District No. I-20, Muskogee, Oklahoma (the "School District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskogee School District No. I-20, Muskogee County, Oklahoma as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Muskogee School District No. I-20, Muskogee, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-13, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual on pages 62-63, Schedule of Proportionate Share of the Net Pension Liability on page 58, Schedule of Contributions on page 59, Schedule of Proportionate Share of Net OPEB Liability on page 60, and Schedule of Contributions-OPEB on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund statements, regulatory basis, listed in the accompanying table of contents are presented for purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 10, 2023

**Muskogee School District I-020  
Management Discussion and Analysis  
June 30, 2022 (unaudited)**

The discussion and analysis of Muskogee Public Schools (the District) financial performance provides an overall review of the District financial activities for the fiscal year ended June 30, 2022. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2021 and 2022 and a comparative analysis of financial information from those years is presented to aid the reader and in a more meaningful understanding of the District's financial performance for Fiscal Year 2022.

**Financial Highlights**

Fiscal Year 2022 operations generated significant budget activity for the General Fund. Current information is presented alongside that of Fiscal Year 2021 to illustrate changes in General Fund balance. Both years are presented on the accrual basis of accounting for district-wide statements and modified accrual basis of accounting for the fund financial statements. The amounts listed below reflect the modified accrual basis of accounting.

	Beg Fund Balance	Revenue	Expenditures	End Fund Balance
FY 2022	\$ 3,116,587	\$52,935,379	\$51,281,455	\$ 4,770,511
FY 2021	\$ 812,315	\$54,347,704	\$52,043,432	\$ 3,116,587

On a district-wide basis the district's liabilities and deferred inflows exceeded its assets and deferred outflows by \$125,130, as of June 30, 2022. This was an increase of \$12,926,399 over the June 30, 2021, ending net position.

The District's total assets increased \$4,620,098, deferred outflows decreased \$10,507,866 due to changes in pension outflows. The District's total liabilities decreased \$27,830,651 mainly due to a decrease in the net pension liability, deferred inflows increased \$13,983,526 due to pension related inflows. These amounts account for the increase of \$12,926,399 in Net Position from the prior year.

**Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and a statistical section. The basic financial statements include two kinds of statements that present views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in more detail than the district-wide statements.

See Auditor's Disclaimer of Opinion

### **Overview of the Financial Statements (continued)**

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts sole as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The statistical section is a compilation of data for a ten-year period in summary form for informational purposes only.

### **District-wide Statements**

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, deferred inflows and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net position* and how it has changed. Net position – the difference between the district's assets and deferred outflows and liabilities including deferred inflows – are one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base (which is averaging a 4% per year increase with little loss in home values) and the conditions of schools buildings and other facilities.

In the district-wide financial statements, most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities, but MPS does receive more federal funding than most school districts due to the large number of impoverished students it has.

**Muskogee School District I-020  
Management Discussion and Analysis  
June 30, 2022 (unaudited)**

Muskogee Public School's Net Position

Assets	FY 2022	FY 2021
Current and other assets	\$ 39,030,135	\$ 80,280,015
Capital assets	118,713,085	60,787,060
Total assets	157,743,220	141,067,375
Deferred outflows of resources - pensions/OPEB	10,845,920	21,353,786
 Liabilities		
Current and other liabilities	\$ 1,525,326	\$ 2,015,420
Long term debt, including current maturities	115,263,800	120,629,123
Net pension liability	32,785,000	59,727,276
Total liabilities	149,574,126	177,404,777
Deferred inflows of resources - pensions/OPEB	19,140,144	5,156,618
 Net Position		
Net investment in capital assets	16,389,579	25,471,916
Reserved	31,223,222	53,207,288
Restricted	817,380	62,438
Unrestricted	(48,555,311)	(138,572,797)
	\$ (125,130)	\$ (13,051,529)

See Auditor's Disclaimer of Opinion

Changes in Net Position

Revenues	<u>FY2022</u>	<u>FY2021</u>
Program Revenues		
Charges for services	\$ 178,330	\$ 167,812
Federal and state grants	18,617,663	19,572,086
General revenues		
Property taxes	20,819,090	19,340,182
Other taxes	1,087,003	2,358,669
Federal and state aid	27,913,528	22,842,070
Other	<u>1,808,739</u>	<u>2,326,840</u>
Total revenues	<u>70,424,353</u>	<u>66,607,659</u>
Expenses		
Program expenses		
Instruction	26,134,026	32,238,613
Support services	26,410,394	22,383,218
Non-instruction	3,673,409	4,409,839
Depreciation	-	3,524,711
Interest on long-term debt	1,088,050	737,311
Other uses	<u>74,339</u>	<u>699,464</u>
Total expenses	<u>57,497,954</u>	<u>63,993,156</u>
Increase (Decrease) in net position	<u>\$ 12,926,399</u>	<u>\$ 2,614,503</u>

See Auditor's Disclaimer of Opinion

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the district's funds, focusing on its significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

### **Fund Financial Statements (continued)**

The district has two kinds of funds:

- *Governmental funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the governmental funds statements, it explains the relationship (or differences) between them.
- *Fiduciary funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the students' activities fund and the sanctioned parent and/or booster club funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District as a Whole**

Net Position: Net position serves over time as a useful indicator of a government's financial position. The change in net position is important because it identifies whether the financial position of the District has improved or diminished. The District's combined net position was higher on June 30, 2022, than it was the year before, increasing to \$(125,130). This was an increase of \$12,926,399 over the close of the FY 2021 net position of (13,051,529).

Changes in net position: Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net Position and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, supports services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Significant fluctuations occurred in specific government activity categories. Operating grants and contributions increased due to receiving more federal funds than the District received in the previous year. All other sources of revenue were up slightly. Instruction services was almost flat, while transportation and debt services were up significantly.

See Auditor's Disclaimer of Opinion

***Governmental Activities***

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

Governmental funds. The general fund is the main operating fund of the District. At June 30, 2022, the general fund balance was \$4,770,511 with \$48,360 nonspendable, leaving an unassigned fund balance of \$4,722,151.

As shown in the "Statement of Net Position" on page 8 of the financial statements the increase in net position is a result of \$5,887,768 decrease in assets and deferred inflows from the prior year, and a decrease in liabilities and deferred inflows from the prior year of \$13,847,125. Deferred outflows of resources are consumptions of net position that are applicable to a future period. It includes pensions and OPEB resulting from school district contributions, subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Deferred inflows of resources related to pensions and OPEB are amounts which will be recognized as pension expense in subsequent fiscal years.

**Capital Asset and Debt Administration**

***Capital Assets***

As of June 30, 2022, the district has invested \$118,713,085 in capital assets, net of accumulated depreciation. This represents a net increase of \$26,439,671 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) The majority of the increase in capital assets in construction in process do to the construction of the new football stadium and fieldhouse. Total depreciation expense for the year was \$1,706,443.

***Long-term Debt***

At year-end, the district had \$115,263,800 in long-term debt. The district's long-term debt is made up of bonds payable, leases payable, VSP payable, compensated absences, and premium on bonds.

- The district retired \$7,230,000 of outstanding bonds.
- The district made \$2,965,817.98 in lease purchase payments, two of these payments were final payments for two lease purchases.

### **Factors Bearing on the District's Future**

There are a several factors that could significantly affect the district's health in the future:

- The District is starting to see some growth in new housing being built, as well as new businesses opening in Muskogee. Hopefully, this growth will bring more citizens to Muskogee as well as additional children enrolling in our schools.
- It appears our student loss trend is beginning to reverse, we look to see increased enrollment in future years leading to an increase in district funding.
- The past year has seen unprecedented inflation causing a strain on budgets for our transportation departments for fuel and food costs for our Child Nutrition operations. Hopefully, inflation is starting to come down slightly.
- Increased Federal funding (CARES grants) due to COVID 19 pandemic will help District offset expenses associated with distance learning, providing technology to students and staff, cleaning and keeping buildings and transportation equipment sanitized. The District has CARES grants to expend through 2024. When these funds run out we will have to review any additional positions that were added and funded with the CARES monies to determine if we will be able to continue them.

### **Contacting the District's Financial Management**

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Muskogee Public Schools, 202 West Broadway, Muskogee, OK 74401 (918-684-3700 ex 1628).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 10,244,290
Property taxes receivable	1,009,121
Due from other governments	2,060,786
Other local receivables	126,517
Other receivables	24,588,333
Inventory	183,708
Net OPEB asset	817,380
Capital assets:	
Land	5,444,770
Construction-in-progress	28,321,709
Other capital assets, net of accumulated depreciation	84,946,606
Total assets	157,743,220
 <b>Deferred outflows of resources</b>	
Pension related deferred outflows	10,699,724
OPEB related deferred outflows	146,196
Total deferred outflows of resources	10,845,920
 <b>Liabilities</b>	
Accounts payable	167,319
Wages payable	1,358,007
Long-term liabilities:	
Due within one year	3,680,495
Due in more than one year	111,583,305
Net pension liability	32,785,000
Total liabilities	149,574,126
 <b>Deferred inflows of resources</b>	
Pension related deferred inflows	18,573,792
OPEB related deferred inflows	566,352
Total deferred inflows of resources	19,140,144
 <b>Net Position</b>	
Net investment in capital assets	16,389,579
Restricted for:	
Debt service	1,583,069
Capital projects	3,240,749
Lease financing acquisitions	24,588,333
Building	812,395
Child nutrition	591,526
Student Activity	407,150
Restricted for Net OPEB asset	817,380
Unrestricted (deficit)	(48,555,311)
Total net position	\$ (125,130)

See Notes to Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<u>Programs/Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction	\$ 26,134,026	2,247	15,107,774	(11,024,005)
Support services	26,410,394			(26,410,394)
Non-instruction services	3,673,409	176,083	3,509,889	12,563
Capital outlay	117,736			(117,736)
Other outlays	74,339			(74,339)
Interest on long-term debt	1,088,050			(1,088,050)
<b>Total primary government</b>	<b>\$ 57,497,954</b>	<b>178,330</b>	<b>18,617,663</b>	<b>(38,701,961)</b>
 <b>General Revenues</b>				
Taxes:				
Property taxes, levied for general purposes				\$ 11,267,142
Property taxes, levied for building				1,610,501
Property taxes, levied for debt service				7,941,447
Other taxes				1,087,003
State aid not restricted for specific purposes				27,913,528
Interest, dividends, and investment earnings				67,800
Other general revenues				1,740,939
<b>Total general revenues</b>				<b>51,628,360</b>
 <b>Changes in net position</b>				 12,926,399
Net position, beginning of year as restated				(13,051,529)
Net position, end of year				<u>\$ (125,130)</u>

See Notes to Basic Financial Statements

## FUND FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General Fund	Building Fund	Child Nutrition Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 3,901,095	766,494	456,020
Property taxes receivable	558,978	76,094	
Due from other governments	2,013,284	378	47,124
Other local receivables	126,517		
Inventory	48,360	32,599	102,749
<b>Total assets</b>	6,648,234	875,565	605,893
 <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	148,112	10,054	9,153
Accrued wages	1,358,007		
<b>Total liabilities</b>	1,506,119	10,054	9,153
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue - child nutrition revenue			5,214
Unavailable revenue - property taxes	371,604	53,116	
<b>Total deferred inflows of resources</b>	371,604	53,116	5,214
 <b>Fund Balances</b>			
Nonspendable inventory	48,360	32,599	102,749
Restricted fund balances:			
School construction			
Retirement of long-term debt			
Buildings		779,796	
Custodial funds			
Child nutrition			488,777
Unassigned	4,722,151		
<b>Total fund balances</b>	4,770,511	812,395	591,526
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	\$ 6,648,234	875,565	605,893

See Notes to Basic Financial Statements

Capital Project Funds	Activity Fund	Sinking Fund	Total Governmental Funds
\$ 3,240,749	407,150	1,472,782	10,244,290
		374,049	1,009,121
			2,060,786
			126,517
			183,708
<u>3,240,749</u>	<u>407,150</u>	<u>1,846,831</u>	<u>13,624,422</u>
			167,319
			1,358,007
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,326</u>
			5,214
		263,762	688,482
<u>-</u>	<u>-</u>	<u>263,762</u>	<u>693,696</u>
			183,708
3,240,749			3,240,749
		1,583,069	1,583,069
	407,150		779,796
			407,150
			488,777
			4,722,151
<u>3,240,749</u>	<u>407,150</u>	<u>1,583,069</u>	<u>11,405,400</u>
<u>\$ 3,240,749</u>	<u>407,150</u>	<u>1,846,831</u>	<u>13,624,422</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

Total governmental fund balances		\$ 11,405,400
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.		118,713,085
Revenues receivable are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
Property taxes		688,482
Child nutrition revenues		5,214
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	10,845,920	
Deferred inflows of resources	<u>(19,140,144)</u>	(8,294,224)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds	(20,555,000)	
Leases payable	(81,768,506)	
Premium on capital leases	(10,354,126)	
VSP Payable	(2,493,600)	
Compensated absences	(92,568)	
Net pension liability	<u>(32,785,000)</u>	(148,048,800)
Net OPEB asset is not a financial resource and is not reported in funds		817,380
Funds available for drawdown under the capital lease are reported as a receivable and related construction-in-progress as an accounts payable in the governmental activities, but not reported in governmental funds.		<u>24,588,333</u>
<b>Net position of governmental activities</b>		<b><u>\$ (125,130)</u></b>

See Notes to Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General Fund	Building Fund	Child Nutrition Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Local sources	\$ 12,028,439	2,000,937	59,895
Intermediate sources	1,087,003		
State sources	25,565,871	71,108	278,189
Federal sources	13,933,803	1,173,971	3,509,889
Non-revenue sources	43,161		
<b>Total revenues</b>	<u>52,658,277</u>	<u>3,246,016</u>	<u>3,847,973</u>
Expenditures:			
Instruction	26,351,774	20,657	
Support services:			
Students	4,402,359		
Instructional staff	3,197,399		
General administration	2,692,073		
School administration	3,821,891		
Business office	3,928,254	11,528	
Plant operations	4,532,816	1,533,460	
Transportation	2,136,567		
Non-instruction services	165,741		3,433,435
Capital outlays		1,621,075	
Other outlays	52,581		
Debt service			
<b>Total expenditures</b>	<u>51,281,455</u>	<u>3,186,720</u>	<u>3,433,435</u>
<b>Excess (deficiency) of revenues         over expenditures</b>	<u>1,376,822</u>	<u>59,296</u>	<u>414,538</u>
Other financing sources (uses)			
Proceeds of bonds			
Transfer in/(out)	276,444		(276,444)
Cancelled checks	658		171
<b>Total other financing sources (uses)</b>	<u>277,102</u>	<u>-</u>	<u>(276,273)</u>
<b>Net change in fund balances</b>	1,653,924	59,296	138,265
Fund balance, beginning of year	3,116,587	753,099	453,261
Fund balance, end of year	<u>\$ 4,770,511</u>	<u>812,395</u>	<u>591,526</u>

See Notes to Basic Financial Statements

Capital Proect Funds	Activity Fund	Sinking Fund	Total Governmental Funds
\$ 17,472	475,291	7,849,112	22,431,146
			1,087,003
		708	25,915,876
			18,617,663
			43,161
<u>17,472</u>	<u>475,291</u>	<u>7,849,820</u>	<u>68,094,849</u>
40,278	21,775		26,434,484
	135,450		4,537,809
	10,611		3,208,010
58,945	6,253		2,757,271
	29,421		3,851,312
13,580	18,444		3,971,806
137,275	10,831		6,214,382
	36,872		2,173,439
	116,466		3,715,642
2,879,857			4,500,932
	21,758		74,339
		8,318,050	8,318,050
<u>3,129,935</u>	<u>407,881</u>	<u>8,318,050</u>	<u>69,757,476</u>
(3,112,463)	67,410	(468,230)	(1,662,627)
5,998,100			5,998,100
			-
1,818			2,647
<u>5,999,918</u>	<u>-</u>	<u>-</u>	<u>6,000,747</u>
2,887,455	67,410	(468,230)	4,338,120
353,294	339,740	2,051,299	7,067,280
<u>\$ 3,240,749</u>	<u>407,150</u>	<u>1,583,069</u>	<u>11,405,400</u>

**INDEPENDENT SCHOOL DISTRICT NO. 1-20, MUSKOGEE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2022**

Net change in fund balance - total governmental funds		\$ 4,338,120
Amounts reported for governmental activities and the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the capital outlays exceeded depreciation and retirements in the period.		
Capital outlays	\$ 28,146,114	
Depreciation expense	<u>(1,706,443)</u>	26,439,671
Drawdowns of capital lease funds of \$26,728,736 used for the purchase of capital assets, net of dividends earned of \$9,177.		(26,719,559)
Because some revenues will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds and are, instead counted as deferred inflows of resources. They are, however, recorded as revenues in the statement of activities.		
Property taxes		299,687
Child nutrition revenues		(2,759)
Some of the capital assets acquired this year were financed with general obligation bonds. The amount financed by the bonds and related premium is reported in the governmental funds as a source of financing, but increases long-term liabilities in the statement of net position and does not affect the statement of activities.		
		(5,975,000)
Repayment of bond principal and repayment on capital lease purchases are an expense in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		10,195,818
Amortization of capital lease premium is recorded in the statement of activities, but not in the governmental funds.		
		795,563
In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		132,342
Voluntary separation payable		216,600
Pension and OPEB expense adjustments net of state contributions		<u>3,205,916</u>
Change in net position - statement of activities		<u>\$ 12,926,399</u>

See Notes to Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**JUNE 30, 2022**

	<u>Private-Purpose Trust Fund</u>
	<u>V. Tarpley Scholarship</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 79,567
<b>Total assets</b>	<u>79,567</u>
 <b>Liabilities and net position</b>	
 <b>Net position</b>	
Unreserved	<u>79,567</u>
<b>Total fund balances</b>	<u>79,567</u>
 <b>Total liabilities and net position</b>	 <u>\$ 79,567</u>

See Notes to Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND  
JUNE 30, 2022**

	Private-Purpose Trust Fund
	V. Tarpley Scholarship
Revenues:	
Local sources	\$ 420
<b>Total revenues</b>	<b>420</b>
Expenditures:	
Scholarships	1,500
<b>Total expenditures</b>	<b>1,500</b>
<b>Change in net position</b>	<b>(1,080)</b>
Net position, beginning of year	80,647
Net position, end of year	\$ 79,567

See Notes to Basic Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1. Summary of Significant Accounting Policies**

The financial statements of the Muskogee Public Schools Independent District No. 52 (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units as promulgated by the Governmental Accounting Standards Board (“GASB”), the standard-setting body for governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

*A. Reporting Entity*

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes. The governing body of the District is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the District.

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity which consists of the primary government; organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the District’s basic financial statements to be misleading.

The District has presented the entities which comprise the reporting entity in the basic financial statements for 2022.

*B. Fund Accounting*

The government-wide financial statements (the statement of net position and the statement of activity) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting*

Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's activities are reported as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Program revenues include 1) tuition or fees paid by students or citizens of the District and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, including state aid, that are not properly included among program revenues are reported as general revenues.

The school district segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the government-side financial statements.

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture and equipment.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2021-2022 fiscal year.

Child Nutrition Fund – The child nutrition fund is a special revenue fund used to account for the operations of the child nutrition programs. Revenue sources include meal ticket sales and Federal and State grants for free and reduced meals.

Custodial Funds – The student activity fund and child nutrition clearing funds are used to account for monies collected principally through fundraising efforts of the students and district sponsored groups.

Debt Service Fund – The debt service (sinking fund) is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Bond Funds – The bond funds are capital project funds used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

*B. Fund Accounting - contd.*

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used. The terms “permanent” and “private purpose” refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

The District reports the following non-major fiduciary funds:

Private Purpose Trust Funds – V. Tarpley Scholarship Fund – This fund is a private-purpose trust fund to account for donations received for the benefit of specified individuals associated with the District.

The District’s fiduciary funds have been excluded from the government-wide financial statements.

**Account Group**

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net position.

*C. Basis of Accounting and Measurement Focus*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The economic resources measurement focus is not applicable to the agency fund and therefore they have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies - contd.**

*C. Basis of Accounting and Measurement Focus – contd.*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pension liabilities are recorded only when the payment is due.

Property taxes and interest and certain state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

*D. Budget and Budgetary Accounting*

A budget is legally adopted by the Board of Education for the general fund, building fund, debt service (sinking) fund, and child nutrition fund that included revenues and expenditures. These budgets are prepared on a modified accrual basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level. Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance is utilized in all governmental funds of the District. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against the year's budget.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022**

**1. Summary of Significant Accounting Policies- contd.**

*E. Assets, Liabilities, Deferred Inflows/Outflows and Fund Balance/Net Position*

Cash and Cash Equivalents and Investments – The District considers all cash on hand, demand deposits interest bearing checking accounts, and highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. As of June 30, 2022, all of the District’s investments were in money market accounts which meet the definition of cash equivalents. Investments, not meeting the definition of cash equivalents, are recorded at fair value.

Inventories – Inventories in the governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories include fuel, maintenance supplies, instructional supplies, and food service supplies. Cost of donated federal surplus commodities is based on values established by the federal government at the time of donation.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

The capitalization threshold is \$2,500 and minimum useful life of three years. All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets are depreciated using the straight-line method over the following useful lives:

<b>Type of Asset</b>	<b>Years</b>
Buildings and structures	50-100
Improvements	50-100
Equipment	10-45
Furniture and fixtures	10-15

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

*E. Assets, Liabilities, Deferred Inflows/Outflows and Fund Balance/Net Position – contd.*

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s). It will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the year ended June 30, 2022 consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District’s reporting period.

Deferred Inflows of Resources – In addition to liabilities, financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s). It will not be recognized as an inflow of resources (revenue) until then. The governmental fund balance sheet includes deferred inflows of resources related to unavailable revenue from property taxes, federal revenue, and local revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources in the statement of net position for the year ended June 30, 2022 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and budgeted for and the unamortized portion of the net difference between projected and actual earnings on pension plan investments and pension plan experience.

Compensated Absences – The District’s policy allows employees to accumulate unused sick leave from year to year as long as employees remain continuously in the Muskogee School system. Maximum number of days that can be accumulated for purposes of sick leave cannot exceed two hundred fifty (250) days at the beginning of the school year. For the purposes of sick leave reimbursement upon retirement or resignation, the district pays \$50.00/day for all sick leave accrued during employment not previously paid for by the Muskogee School District. All certified employees hired after July 1, 2012, are not eligible to sell back unused sick leave but will be able to accrue days for use at retirement.

A twelve-month salaried employee is eligible for twenty (20) days paid vacation each year accrued at the rate of 1.67 days per month. A twelve-month, eight-hour employee accrues ten (10) vacation days per year at the rate of .83 days per month up to completion of five years continuous employment, 5-10 years accrues at 15 days per year, over 10 years accrues at 20 days. Twelve-month Administrators may carry over vacation days up to a maximum of

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1. Summary of Significant Accounting Policies- contd.**

*Assets, Liabilities, Deferred Inflows/Outflows and Fund Balance/Net Position – contd.*

thirty (30) days. Upon retirement or resignation, the District will reimburse an employee for no more than thirty (30) days of accrued vacation at the employee's regular daily rate of pay.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bond issuance costs are expensed when incurred.

In the governmental fund financial statements, the face amount of debt is reported as other financing sources. Repayments of long-term debt are reported as expenditures. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposed of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oklahoma Teachers' Retirement System (OTRS) and additions to/deductions from these fiduciary net positions has been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – The government-wide and fiduciary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This component of net position reports capital assets less both accumulated depreciation and the outstanding balance of debt (excluding unexpended proceeds) that is directly attributable to the acquisition, construction, or improvement of those assets. Any deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the component of net position.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

*E. Assets, Liabilities, Deferred Inflows/Outflows and Fund Balance/Net Position – contd.*

Restricted Net Position – This component of net position reports the difference between assets, deferred inflows/outflows of resources and liabilities of certain programs or funds that consist of assets with constraints placed on their use by either external parties and/or enabling legislation.

Unrestricted Net Position – Net position that does not meet the definition of net investment in capital assets or restricted are classified as unrestricted.

Fund Balance – Governmental fund equity is classified as fund balance. Fund balance consists of five categories, defines as follows:

Nonspendable Fund Balance – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories, long-term receivables, and prepaid amounts. It may also include long-term loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.

Restricted Fund Balance – The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority (the District’s Board of Education). Such constraints can only be removed or changed by the same form of formal action. Funds set aside by the Board of Education as committed fund balance requires the approval of a resolution by a majority vote of the members of the Board of Education. Such approval must take place prior to the District’s fiscal year-end in order for it to be applicable to that fiscal year. It is permitted for the specific amount of the commitment to be determined after the fiscal year-end if any additional information is required in order to determine the exact amount. The Board of Education has the authority to remove or change the commitment of funds with a resolution.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

E. *Assets, Liabilities, Deferred Inflows/Outflows and Fund Balance/Net Position – contd.*

Assigned Fund Balance – The assigned fund balance classification reflects amounts that are constrained by the government’s intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance. For the purposes of assigned fund balance, the District has given authority to the Superintendent and Director of Finance to assign funds for specific purposes.

Unassigned Fund Balance – The unassigned fund balance classification is the residual classification for the General Fund only. It is also where negative residual amounts for all other governmental funds must be reported. Unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

It is the District’s policy to use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The District’s policy for the use of unrestricted fund balance amounts requires that committed amounts would be used first, followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

F. *Revenue and Expenditures*

Local Revenues – Revenue from Local sources is the monies generated from within the boundaries of the District and available to the District for its use. The District is authorized by State law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District’s General, Building and Debt Service Funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

F. *Revenue and Expenditures – contd.*

Local Revenues – contd.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1, of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Uncollected taxes assessed on valuations made each year are recorded in the District's financial statements. The delinquent taxes which are not collected within 60 days of year-end are recorded in the financial statements as deferred inflows of resources. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

Other Local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical education program revenues be accounted for in the general fund. The aforementioned state revenues are apportioned to the District's General Fund.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

F. *Revenue and Expenditures-* contd.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state. An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues are apportioned to the General and Building Funds. The District maintains a separate Child Nutrition Fund and the federal revenues received for the child nutrition programs are apportioned there.

Interest Earnings – Represent compensation for the use of financial sources over time.

Other Sources and Non-Revenue Receipts – Other sources represent primarily prior year lapsed encumbrances and prior year reimbursements and adjustments. Non-revenue receipts represent receipts deposited into a fund that is not new revenues to the District, but the return of assets.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process.

The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other local education agencies would be included here.

Support Services – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves. These services are designed to assess and improve student well-being and to supplement the teaching process.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. **Summary of Significant Accounting Policies-** contd.

F. *Revenue and Expenditures-* contd.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures – Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations), and expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Interfund Transactions – Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used or reimbursements, are reported as transfers.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2. Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of failure of a counterparty, the District will not be able to recover its deposits. Deposits are exposed to credit risk if they are uninsured or uncollateralized. The District's policy requires that all deposits in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits. As of June 30, 2022, all the District's deposits were federally insured by FDIC or collateralized.

The District had cash deposits at financial institutions with a book balance of approximately \$10,244,290 at June 30, 2022. The bank balance of these deposits was approximately \$12,600,411. The difference between the bank balance and book balance are the outstanding checks and deposits.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by counterparty or the counterparty's trust department but not in the name of this District. The District's policy requires that all investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the investments. As of June 30, 2022, all of the District's investments were collateralized.

Concentration of Credit Risk:

The District's investment policies are governed by state statute. Permissible investments include:

- a. Direct obligations of the United State Government to the payment of which the full faith and credit of the government is pledged.
- b. Obligations to the payment of which the full faith and credit of the state is pledged.
- c. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
- d. Savings accounts or savings certificates of saving and loan associations to the extent that such accounts or certificates are fully insured by the Federal Saving and Loan Insurance Corporation.
- e. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

2. **Deposits – contd.**

- f. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
- g. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
- h. Warrants, bonds, or judgments of the school district.
- i. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for the school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professional. Any pooled investment program must be approved by the Board of Education.

The District did not have any investments at June 30, 2022.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**3. Receivables**

Receivables at June 30, 2022, for the individual governmental and proprietary funds are as follows:

	General	Debt Service	Building	Child Nutrition	Total Governmental
Receivables					
Ad valorem	\$ 558,978	374,049	76,094		1,009,121
Federal grants	2,013,284		378	47,124	2,060,786
Local & intermediate	126,517				126,517
<b>Total receivables</b>	<b>\$ 2,698,779</b>	<b>374,049</b>	<b>76,472</b>	<b>47,124</b>	<b>3,196,424</b>

The government-wide financial statements also include other receivables of approximately \$24.6 million for amounts available to draw down on the capital lease (see Note 5).

**4. Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2022 follows:

	Balance June 30, 2021	Additions	Transfers	Disposals	Balance June 30, 2022
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 5,444,770				5,444,770
Construction in progress	27,776,635	26,728,736	(26,183,662)		28,321,709
<b>Total capital assets not being depreciated</b>	<b>33,221,405</b>	<b>26,728,736</b>	<b>(26,183,662)</b>	-	<b>33,766,479</b>
Capital assets being depreciated:					
Buildings and improvements	72,147,885	26,319,042			98,466,927
Furniture, equipment and software	6,806,867	871,674			7,678,541
Vehicles/buses	5,051,489	410,324			5,461,813
<b>Total capital assets being depreciated</b>	<b>84,006,241</b>	<b>27,601,040</b>	-	-	<b>111,607,281</b>
Less: accumulated depreciation	24,954,232	1,706,443			26,660,675
<b>Total capital assets being depreciated, net</b>	<b>59,052,009</b>	<b>25,894,597</b>	-	-	<b>84,946,606</b>
<b>Total capital assets, net</b>	<b>\$ 92,273,414</b>	<b>52,623,333</b>	<b>(26,183,662)</b>	-	<b>118,713,085</b>

Depreciation expense on the government-wide statement of activities is allocated on a pro rata basis to Instruction, Support Services and Non-instruction services.

**INDEPENDENT SCHOOL DISTRICT NO. 1-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**5. General Long-Term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General long-term debt of the District consists of bond payable, and obligations for compensated absences. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due within one year
Bonds payable	\$ 21,810,000	5,975,000	7,230,000	20,555,000	500,000
Premium on bonds	11,149,689		795,563	10,354,126	
Leases payable	84,734,324		2,965,820	81,768,504	2,461,695
Compensated absences	224,912		132,342	92,570	
VSP	2,710,200		216,600	2,493,600	718,800
Total	<u>\$ 120,629,125</u>	<u>5,975,000</u>	<u>11,340,325</u>	<u>115,263,800</u>	<u>3,680,495</u>

A brief description of the outstanding general obligation bond issues at June 30, 2022, is set forth below:

	<u>Amount outstanding</u>
Building Bonds, Series 2018, original issue \$4,260,000, interest rate of 3.15-3.50%, due in annual installments of \$1,065,000 beginning on 7-1-20;	\$ 1,065,000
Combined Purpose Bonds, Series 2019, original issue \$5,445,000, interest rate of 2.5-4.0%, due in annual installments of \$1,360,000 beginning on 7-1-21;	2,725,000
Building Bonds, Series 2019, original issue \$2,000,000, interest rate of 2.0-2.25%, due in annual installments of \$500,000 beginning on 12-1-21;	\$ 1,500,000

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

5. **General Long-Term Debt** – cont'd

	<u>Amount outstanding</u>
Combined Purpose Bonds, Series 2020, original issue \$12,290,000, interest rate of 3.0-4.0%, due in annual installments of \$3,000,000 beginning on 7-1-22;	\$ 9,290,000
Building Bonds, Series 2021, original issue \$5,975,000, interest rate of .55-1.3%, due in annual installments of \$1,500,000 beginning on 7-1-23;	<u>5,975,000</u>
Total bonds outstanding	<u>\$ 20,555,000</u>

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 500,000	86,425	586,425
2024	7,400,000	487,237	7,887,237
2025	6,365,000	268,825	6,633,825
2026	4,790,000	126,450	4,916,450
2027	1,500,000	15,750	1,515,750
Total	<u>\$ 20,555,000</u>	<u>984,687</u>	<u>21,539,687</u>

Compensated Absences:

Compensating absences represent the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination or resignation. The liability at June 30, 2022 totaled \$92,568 and is recorded as long-term debt of the District in the government-wide financial statements. The retirement of this liability is liquidated by the general fund or special revenue funds based on the assignment of the employee at termination or resignation. Below is the total by employee category:

Certified	\$ 31,250
Support personnel	<u>61,318</u>
Total	<u>\$ 92,568</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022**

5. **General Long-Term Debt – cont’d**

Capital Leases:

In July 2013, the school district entered into a Ground Lease Agreement with the Muskogee Industrial Trust Authority (the “Authority”) under which the district is leasing certain land upon which the Authority will construct improvements from the proceeds of \$15,030,000 in revenue bonds sold for that purpose. Improvements are to be constructed for so long as there are obligations outstanding, which are secured by the Ground Lease Agreement. These facilities will be leased by the Authority to the school district pursuant to a sublease agreement enter into as of July 31, 2013. The sublease agreement between the Authority and the Muskogee School District enables the district to lease back the property leased in the ground lease and utilized the proceeds of the revenue bonds (issued by the Authority) for the construction and improvements on the property. The sublease agreement also provides a mechanism for the district to obtain title to the improvements free and clear of security interest. The District intends to finance the sublease agreements lease payments through a periodic issuance of Building Bonds which were authorized and approved by school district voters at an election held on May 14, 2013. These bonds are scheduled to be issued on dates, and in amounts, which coincide with sublease rental payments.

The following is a schedule by years of future payments due under the sublease:

Year ending	
June 30	Payment
2023	\$ 2,100,000

In December 2019, the school district entered into a Ground Lease Agreement with the Muskogee Industrial Trust Authority (the “Authority”) under which the district is leasing certain land upon which the Authority will construct improvements from the proceeds of \$78,145,000 in revenue bonds sold for that purpose. Improvements are to be constructed for so long as there are obligations outstanding, which are secured by the Ground Lease Agreement. These facilities will be leased by the Authority to the school district pursuant to a sublease agreement enter into as of December 1, 2019. The sublease agreement between the Authority and the Muskogee School District enables the district to lease back the property leased in the ground lease and utilized the proceeds of the revenue bonds (issued by the Authority) for the construction and improvements on the property. The sublease agreement also provides a mechanism for the district to obtain title to the improvements free and clear of security interest. The District intends to finance the sublease agreements lease payments through a periodic issuance of Building Bonds which were authorized and approved by school

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
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5. **General Long-Term Debt** – cont'd

Capital Leases:

district voters at an election held on October 8, 2019. These bonds are scheduled to be issued on dates, and in amounts, which coincide with sublease rental payments.

The trustee bank holds the cash and makes payments after authorization from the District. Amounts held by the trustee and available for draw down at June 30, 2022 are recorded as a receivable in the government wide statements.

Under the agreements, the District transferred ownership for land and facilities covered by the ground lease to the Authority. Ownership will revert to the District upon payment of the lease purchase acquisition payments. Accordingly, the original cost of the assets is expensed if the item does not meet the District's capitalization criteria.

The present value of minimum sublease payments is recorded in the District's long-term debt. Lease payments are primarily payable from the capital projects fund.

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2022, were as follows:

Year ending June 30	Payment	Premium	Total
2023	\$ 75,000	1,589,851	1,664,851
2024	4,085,000	1,519,948	5,604,948
2025	4,350,000	1,380,198	5,730,198
2026	3,835,000	1,248,099	5,083,099
2027	8,110,000	1,063,445	9,173,445
2028-2032	34,745,000	3,233,841	37,978,841
2033-2037	22,945,000	318,744	23,263,744
Total	<u>\$ 78,145,000</u>	<u>10,354,126</u>	<u>88,499,126</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**5. General Long-Term Debt – cont’d**

Capital Leases – cont’d

In addition, the District has commitments under other capital leases for turf, computers, copiers, an energy management system, projectors, computers, vehicles, network equipment, choral uniforms, construction of maintenance facility, and remodel expenses for ESC. The following schedule shows the composition of total minimum lease payments for all of the District’s capital leases outstanding as of June 30, 2022:

Year ending June 30	Principal	Interest	Total
2023	\$ 286,695	48,190	334,885
2024	296,333	39,351	335,684
2025	306,296	28,589	334,885
2026	205,425	18,252	223,677
2027	211,337	12,340	223,677
2028-2032	217,418	6,257	223,675
Total	<u>\$ 1,523,504</u>	<u>152,979</u>	<u>1,676,483</u>

**6. Restatement of Beginning Net Position**

Beginning net position was restated due to an error in the amount reported as capital leases outstanding as of June 30, 2021.

Net Position Beginning	\$ (8,084,487)
Increase in capital leases outstanding	<u>(4,967,042)</u>
Net Position Beginning, as Restated	<u>\$ (13,051,529)</u>

**7. Employee Retirement System**

**Oklahoma Teachers Retirement System**

Plan Description:

The District participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**7. Employee Retirement System – cont'd**

assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

Benefits Provided:

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

*Benefit Provisions Include:*

- Members who joined the system prior to November 1, 2017 are fully vested after 5 years of contributory Oklahoma membership service. Those who join on or after November 1, 2017 are fully vested after seven years of contributory Oklahoma membership service and may choose to take an early, reduced retirement benefit, or stay to qualify for a regular, unreduced retirement benefit. Member who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and year of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at the age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of the amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member was entitled to at the

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
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7. **Employee Retirement System – cont'd**

- time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable year of credited service.
- Upon separation from OTRS, members' contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions:

The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The District paid the employees' required contribution. The amount paid by the District for employees totaled approximately \$1.9 million for the year ended June 30, 2022. The District's contribution rate is 9.5 percent for the year ended June 30, 2022. In addition, the District is required to match the State's contribution rate on salaries that are paid with federal funds. The District's contributions to OTRS in 2022 were \$3.4 million, equal to the annual required contributions each year. The District's matching contributions to OTRS in 2022 were \$468,906.

The State makes a contribution on behalf of each teacher meeting minimum salary requirements (known as the OTRS years of services credit). The credit amount is determined based on years of services and ranges from \$60.15 per year for 0 years of service to \$1,410.53 per year for 25 years or more of service. For the fiscal year ended June 30, 2022, the State paid approximately \$246,410 on behalf of teachers employed at the District. In accordance with generally accepted accounting practices, the District recognized the on-behalf-of payments as revenue and expense/expenditure in the government wide and fund financial statements. These on behalf payments do not meet the definition of a special funding situation.

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2022, the State of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes, to the System on behalf of participating employers. The District has estimated the amounts contributed to the System by the State of Oklahoma on its behalf based on a contribution rate provided to the District. For the year ended June 30, 2022, the total amount contributed to the System by the State of

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**7. Employee Retirement System – cont'd**

Oklahoma on behalf of the District was approximately \$1,777,078. In accordance with generally accepted accounting practices, District recognized the on-behalf-of payments as revenue and expense/expenditure in the government fund financial statements. These on-behalf payments do not meet the definition of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2022, the District reported a liability of \$32,785,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's contributions to OTRS relative to total contributions of OTRS for all participating employees for the year ended June 30, 2021. Based upon this information, the District's proportion was 0.64173244 percent.

For the year ended June 30, 2022, the District recognized pension expense of (\$2 million). June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,161,749	(1,219,162)
Changes in Assumptions	5,100,022	(326,498)
Net difference between projected and actual earnings on pension plan investments	-	(17,028,132)
Changes in proportionate and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>3,437,953</u>	<u>-</u>
Total	<u>\$ 10,699,724</u>	<u>(18,573,792)</u>

Deferred pension outflows totaling \$3.4 million resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The net deferred pension inflows totaling approximately \$18.5 million will be recognized in pension expense using the average expected remaining life of the Plan. The average expected remaining life of the Plan is

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**7. Employee Retirement System – cont'd**

determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the Plan are estimated at 5.27 years at June 30, 2021 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended <u>June 30</u>	<u>Amount</u>
2022	\$ (2,498,828)
2023	(1,405,396)
2024	(2,230,093)
2025	(5,127,032)
2026	(50,672)
Total	<u>\$ (11,312,021)</u>

Actuarial Assumptions:

The total pension liability was determined based on an actuarial valuation prepared as of June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Amortization Period—Amortization over an open 20-year period
- Asset Valuation Method—5-year smooth market
- Inflation—2.25 percent
- Salary Increases—Composed of 2.25 percent inflation, plus .75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return—7.00 percent, net of expenses and compounded annually
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study, dated July 15, 2020, for the period July 1, 2014-June 30, 2019 and in conjunction with the five-year-experience study for the period ending June 30, 2019.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**7. Employee Retirement System – cont'd**

Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate *	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	<u>100.0%</u>	

\* - The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Discount Rate:

The discount rate used to measure the total pension liability was 7.0 percent. The single discount rate was based solely on the expected investment rate of return on pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**7. Employee Retirement System – cont’d**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following table presents the net pension liability of the District calculated using the discount rate of 7.0 percent, as well as what the District’s net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's net pension liability	\$ 53,587,621	\$ 32,785,000	\$ 15,563,256

**8. Other Post Employment Benefits**

Plan Description:

The District as the employer, participates in the Supplemental Health Insurance Program – a cost sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available annual financial report that can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

Benefits Provided:

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions:

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note 7; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022**

**8. Other Post Employment Benefits – cont'd**

supplemental health insurance program averages 1.5% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the District were \$35,096 for 2022.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2022, the District reported an asset of \$817,380 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB asset was based on the District's contributions to OTRS relative to total contributions of OTRS for all participating employees for the year ended June 30, 2021. Based upon this information, the District's proportion was 0.64173247 percent.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$179,719). June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(127,967)
Changes in Assumptions	111,100	
Net difference between projected and actual earnings on pension plan investments	-	(438,385)
Changes in proportionate and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	35,096	-
Total	\$ 146,196	(566,352)

Deferred OPEB outflows totaling \$35,09 resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2022.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**8. Other Post Employment Benefits – cont'd**

Deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30	Amount
2022	\$ (120,963)
2023	(98,906)
2024	(101,748)
2025	(131,296)
2026	(1,252)
Thereafter	(1,086)
Total	<u>\$ (455,251)</u>

Actuarial Assumptions:

The total OPEB liability (asset) was determined based on an actuarial valuation prepared as of June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Amortization Period—Amortization over an open 20-year period
- Asset Valuation Method—5-year smooth market
- Inflation—2.25 percent
- Salary Increases—Composed of 2.25 percent inflation, plus .75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return—7.00 percent, net of expenses and compounded annually
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study, dated July 15, 2020, for the period July 1, 2014-June 30, 2019 and in conjunction with the five-year-experience study for the period ending June 30, 2019.

Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**8. Other Post Employment Benefits – cont'd**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate *	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	<u>100.0%</u>	

\* - The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Discount Rate:

The discount rate used to measure the total OPEB liability (asset) was 7.0 percent. The single discount rate was based solely on the expected investment rate of return on OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

**INDEPENDENT SCHOOL DISTRICT NO. 1-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**8. Other Post Employment Benefits – cont'd**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate:

The following table presents the net OPEB liability (asset) of the District calculated using the discount rate of 7.0 percent, as well as what the District's net OPEB liability (asset) would be if OTRS calculated the total OPEB liability (asset) using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's net OPEB liability (asset)	\$ (525,124)	\$ (817,380)	\$ (1,065,018)

**9. Sanctioned Organizations**

The following entities are separately constituted and, accordingly, their financial position and results of operations have not been presented in the accompanying financial statements. The board of education does not appoint officers. The board of education is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the entity.

MHS Rougher Football Booster	MHS Girls Tennis Booster Club
MHS Volleyball	7th & 8th Grade Academy PTO
MHS Running Club	Creek PTO
MHS Cheer Booster Club	MHS Quarter Note Club
MHS Boys Tennis Booster Club	MHS Choir Booster Club
MHS Kicker Club	Incredible Irving PTO
MHS PTSA	Pershing PTO
MHS Dance Booster	Sadler PTO
MHS Rougher Golf Booster Club	Tony Goetz PTO
Muskogee 4-H & Livestock Booster	

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**10. Risk Management**

The District purchases commercial insurance for all other types of risk including, but not limited to, property, casualty, vehicles, and employee life. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

**11. Surety Bonds**

The District has a Position Schedule Bond with Travelers Casualty and Surety Company of America Bond #106118502, for the period of July 1, 2021 to June 30, 2022, covering the following positions/amounts:

<u>Bonding Co.</u>	<u>Position Covered</u>	<u>Bond Number</u>	<u>Coverage</u>	<u>Effective Date</u>
Old Republic Surety	Director of Finance	W150413256	\$250,000	7/1/21-7/1/22
	Superintendent	POB1106903	\$100,000	12/23/21-12/23/22
	Encumbrance Clerk	POB1106903	\$100,000	12/23/21-12/23/22
	Activity Fund Custodian	POB1106903	\$100,000	12/23/21-12/23/22
	Minutes Clerk	POB1106903	\$5,000	12/23/21-12/23/22
	Payroll Clerk	POB1106903	\$5,000	12/23/21-12/23/22
RLI Insurance	Treasurer	LSM0322263	\$250,000	12/23/21-12/23/22

**12. New/Adopted Pronouncements**

The GASB has issued several new accounting pronouncements, which will be effective to the District in both the reported and subsequent years. A description of the new accounting pronouncements applicable to the District, the fiscal year in which they are effective, and the District's consideration of the impact of these pronouncements are described below:

**Adopted: Fiscal Year Ended June 30, 2022**

**GASB, Statement No. 91, *Conduit Debt Obligations*, issued May 2019.** The object of Statement No. 91 is to establish a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. The District does not have conduit debt obligations for the fiscal year ending June 30, 2022. Should management decision obligate the district to conduit debt in the future, the District will evaluate the impact and report the debt accurately according to the Statement.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

12. **New/Adopted Pronouncements – cont'd**

**GASB, Statement No. 92**, *Omnibus 2021, issued January 2020*. The object of Statement No. 92 is to address a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. The District has considered the requirements of this statement in the 2022 fiscal year.

**GASB, Statement No. 93**, *Replacement of Interbank Offered Rates, issued March 2020*. The object of Statement No. 93 is to address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirements of this Statement are effective for periods beginning after June 15, 2020, June 15, 2021 and December 31, 2021, depending on the paragraph, as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. The District does not currently engage in transactions applicable to this statement.

**GASB, Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements, issued March 2021*. The object of Statement No. 94 is to address issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2021. The District currently does not participate in any PPPs or APAs.

**New Accounting Pronouncements Issued Not Yet Adopted:**

**GASB, Statement No. 96**, *Subscription-Based Information Technology Arrangements, issued May 2021*. The object of Statement No. 96 is to provide guidance for accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. The District is currently evaluating the impact that these new standards may have on its financial statements.

**GASB, Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32, issued June 2021*. The object of Statement No. 97 is to provide guidance regarding

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**12. New/Adopted Pronouncements – cont'd**

the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the above Statement were effective immediately whereas the remaining requirement of this Statement are effective for periods beginning after June 15, 2022.

The District currently does not participate in component units, defined contribution pension plans, or defined contribution OPEB plans. The District is currently evaluating the impact of the remaining paragraphs and how these new standards may have on its financial statements.

**13. Tax Abatement**

The State of Oklahoma has authorized by Oklahoma Statute 62-850, the creation of tax increment financing (TIF) districts. These districts are intended to provide incentives and exemptions from taxation within certain areas to encourage investment, development, and economic growth. The City of Muskogee has created a TIF district. The TIF district reduces the ad valorem taxes remitted to the District over the term of the agreement.

Oklahoma Statute Title 31 offers a homestead exemption of up to 1 acre of property in an urban area or 160 acres in a rural area. These homestead exemptions reduce the ad valorem taxes remitted to the District.

**14. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 1-20, MUSKOGEE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**LAST 10 YEARS \***

	2022	2021	2020	As of June 30,		2017	2016	2015
				2019	2018			
Proportion of the net pension liability	0.64%	0.63%	0.58%	0.58%	0.67%	0.64%	0.66%	0.73%
Proportionate share of the net pension liability	\$ 32,785,000	\$ 59,727,276	\$ 41,705,525	\$ 35,104,909	\$ 44,108,443	\$ 53,233,642	\$ 40,235,478	\$ 39,476,057
Covered payroll	\$ 31,253,127	\$ 30,865,896	\$ 31,975,353	\$ 28,784,632	\$ 25,762,721	\$ 25,921,090	\$ 25,768,540	\$ 28,640,399
Proportionate share of the net pension liability as percentage of covered-employee payroll	104.90%	193.51%	130.43%	121.96%	171.21%	205.37%	156.14%	137.83%
Plan's fiduciary net position	\$ 40,659,069	\$ 43,685,265	\$ 29,844,474	\$ 25,535,311	\$ 30,575,973	\$ 33,132,619	\$ 28,289,565	\$ 28,592,508
Plan fiduciary net position as a percentage of the total pension liability	124.02%	73.14%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

**Notes to schedule:**

\* GASB Statement No. 68 requires ten years of information to be presented in this table. The information for all periods for the 10-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contributions Deficiency (Excess)</b>	<b>District's Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2022	\$ 2,969,047	2,969,047	-	31,253,127	9.50%
2021	3,199,401	3,199,401	-	30,865,896	10.37%
2020	2,936,371	2,936,371	-	31,975,353	9.18%
2019	2,734,540	2,734,540	-	28,784,632	9.50%
2018	2,525,734	2,525,734	-	25,762,721	9.80%
2017	2,346,044	2,346,044	-	25,921,090	9.05%
2016	2,709,356	2,709,356	-	25,768,540	10.51%
2015	2,764,068	2,764,068	-	28,640,399	9.65%

Notes to Required Supplementary Information:

The Districts' statutorily required contribution rate has changed over the prior 10 years as follows:

January 1, 2010 to present 9.50%

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**LAST 10 YEARS \***

	<u>2022</u>	<u>2021</u>	<u>As of June 30, 2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability					
Proportionate share of the net pension liability	\$ (817,380)	\$ (62,348)	\$ (389,693)	\$ (375,363)	\$ (297,068)
Covered payroll	\$ 31,253,127	\$ 30,865,896	\$ 31,975,353	\$ 28,784,632	\$ 25,762,721
Proportionate share of the net pension liability as percentage of covered-employee payroll	-2.62%	-0.20%	-1.22%	-1.30%	-1.15%
Plan's fiduciary net position	\$ (397,224)	\$ (80,996)	\$ (449,745)	\$ (433,206)	\$ (327,963)
Plan fiduciary net position as a percentage of the total pension liability	48.60%	129.91%	115.41%	115.41%	110.40%

**Notes to schedule:**

\* GASB Statement No. 68 requires ten years of information to be presented in this table. The information for all periods for the 10-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 SUPPLEMENTAL HEALTH INSURANCE PROGRAMS  
 FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contributions Deficiency (Excess)</b>	<b>District's Covered- Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2022	\$ 35,096	35,096	-	31,253,127	0.11%
2021	6,015	6,015	-	30,865,896	0.02%
2020	5,532	5,532	-	31,975,353	0.02%
2019	18,314	18,314	-	28,784,632	0.06%
2018	36,132	36,132	-	25,762,721	0.14%
2017	33,740	33,740	-	25,921,090	0.13%

Notes to Required Supplementary Information:

Information to present a 10-year history is not yet available.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (GAAP BASIS)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 10,269,993	10,269,993	12,028,439	1,758,446
Intermediate sources	999,763	999,763	1,087,003	87,240
State sources	25,260,285	25,260,285	25,565,871	305,586
Federal sources	20,423,006	18,073,287	13,933,803	(4,139,484)
Non-revenue sources			43,161	43,161
<b>Total revenues</b>	<u>56,953,047</u>	<u>54,603,328</u>	<u>52,658,277</u>	<u>(1,945,051)</u>
<b>Expenditures:</b>				
Instruction	45,153,037	32,603,236	26,351,774	6,251,462
Support services:				
Students	5,547,777	8,199,422	4,402,359	3,797,063
Instructional staff	346,190	2,753,397	3,197,399	(444,002)
General administration	165,200	559,376	2,692,073	(2,132,697)
School administration	5,800,000	5,800,000	3,821,891	1,978,109
Business office	1,245,200	2,771,234	3,928,254	(1,157,020)
Plant operations	406,500	2,927,430	4,532,816	(1,605,386)
Transportation	1,204,730	1,533,867	2,136,567	(602,700)
Non-instruction services	1,000	183,822	165,741	18,081
Other outlays	200,000	388,131	52,581	335,550
<b>Total expenditures</b>	<u>60,069,634</u>	<u>57,719,915</u>	<u>51,281,455</u>	<u>6,438,460</u>
<b>Excess (deficiencies) of revenues over/(under) expenditures</b>	<u>(3,116,587)</u>	<u>(3,116,587)</u>	<u>1,376,822</u>	<u>4,493,409</u>
<b>Other financing sources (uses):</b>				
Transfers in/(out)			276,444	276,444
Cancelled checks			658	658
<b>Total other financing sources (uses)</b>			<u>277,102</u>	<u>277,102</u>
<b>Net change in fund balance</b>	(3,116,587)	(3,116,587)	1,653,924	4,770,511
Fund balance, beginning of year	<u>3,116,587</u>	<u>3,116,587</u>	<u>3,116,587</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>4,770,511</u>	<u>4,770,511</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUILDING FUND (GAAP BASIS)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 1,703,781	9,963,678	2,000,937	(7,962,741)
State sources			71,108	71,108
Federal sources		2,349,721	1,173,971	(1,175,750)
<b>Total revenues</b>	<u>1,703,781</u>	<u>12,313,399</u>	<u>3,246,016</u>	<u>(9,067,383)</u>
Expenditures:				
Instruction	686,573	686,573	20,657	665,916
Support services:				
Business office	170,000	170,000	11,528	158,472
Plant operations	905,000	905,000	1,533,460	(628,460)
Capital outlays	695,307	11,304,925	1,621,075	9,683,850
<b>Total expenditures</b>	<u>2,456,880</u>	<u>13,066,498</u>	<u>3,186,720</u>	<u>9,879,778</u>
<b>Excess (deficiencies) of revenues         over/(under) expenditures</b>	<u>(753,099)</u>	<u>(753,099)</u>	<u>59,296</u>	<u>812,395</u>
Fund balance, beginning of year	<u>753,099</u>	<u>753,099</u>	<u>753,099</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>812,395</u>	<u>812,395</u>

## OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION FUND (GAAP BASIS)  
 YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 50,632	50,632	59,895	9,263
State sources	28,669	28,669	278,189	249,520
Federal sources	1,936,685	3,314,493	3,509,889	195,396
<b>Total revenues</b>	<u>2,015,986</u>	<u>3,393,794</u>	<u>3,847,973</u>	<u>454,179</u>
Expenditures:				
Non-instruction services	2,469,247	3,847,055	3,433,435	413,620
<b>Total expenditures</b>	<u>2,469,247</u>	<u>3,847,055</u>	<u>3,433,435</u>	<u>413,620</u>
<b>Excess (deficiencies) of revenues     over/(under) expenditures</b>	<u>(453,261)</u>	<u>(453,261)</u>	<u>414,538</u>	<u>867,799</u>
Other financing sources (uses):				
Transfers in/(out)			(276,444)	(276,444)
Cancelled checks			171	171
<b>Total other financing sources (uses)</b>			<u>(276,273)</u>	<u>(276,273)</u>
<b>Net change in fund balance</b>	(453,261)	(453,261)	138,265	591,526
Fund balance, beginning of year	<u>453,261</u>	<u>453,261</u>	<u>453,261</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>591,526</u>	<u>591,526</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
BUDGETARY COMPARISON SCHEDULE - SINKING FUND (GAAP BASIS)  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 6,853,929	6,853,929	7,849,112	995,183
State sources			708	708
<b>Total revenues</b>	<u>6,853,929</u>	<u>6,853,929</u>	<u>7,849,820</u>	<u>995,891</u>
Expenditures:				
Debt service	8,905,228	8,905,228	8,318,050	587,178
<b>Total expenditures</b>	<u>8,905,228</u>	<u>8,905,228</u>	<u>8,318,050</u>	<u>587,178</u>
<b>Excess (deficiencies) of revenues         over/(under) expenditures</b>	<u>(2,051,299)</u>	<u>(2,051,299)</u>	<u>(468,230)</u>	<u>1,583,069</u>
Fund balance, beginning of year	2,051,299	2,051,299	2,051,299	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>1,583,069</u>	<u>1,583,069</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
STATEMENT OF CHANGES IN ACTIVITY ACCOUNT BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Balance July 1, 2021	Additions	Net Transfers	Deletions	Balance June 30, 2022
<b>Assets</b>					
Cash	<u>\$ 339,741</u>	<u>475,193</u>	<u>-</u>	<u>407,784</u>	<u>407,150</u>
<b>Liabilities</b>					
Funds held for student organizations					
Cherokee Elementary	6,096	27,080		20,818	12,358
Creek Elementary	3,301	27,110		21,578	8,833
Irving Elementary	16,192	22,225		16,260	22,157
Pershing Elementary	3,617	29,674		21,584	11,707
Sadler Elementary	26,967	14,335		7,556	33,746
Tony Goetz Elementary	7,241	21,098	920	21,404	7,855
Whittier Elementary	920		(920)	-	-
MECC Elementary	21,877	9,003		10,598	20,282
7th & 8th Grade Center	8,862	24,454		18,700	14,616
6th Grade Center	5,297	13,934		9,995	9,236
High School	128,861	136,883		129,114	136,630
Rougher Academy	1	688		670	19
CN Group	782	266		610	438
Transportation	2,351	839		958	2,232
District	69,826	68,809		69,022	69,613
Maintenance	2,451	650		784	2,317
Athletics	35,099	78,145		58,133	55,111
Total Liabilities	<u>\$ 339,741</u>	<u>475,193</u>	<u>-</u>	<u>407,784</u>	<u>407,150</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Program or Award Amount	Beginning Balance 7/1/2021	Revenue Collected	Total Expenditures	Ending Balance 6/30/2022
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VI-Part A, Indian Education	84.060	561	\$ 320,584		320,584	320,584	
<b>Subtotal - Direct Programs</b>			<u>320,584</u>	<u>-</u>	<u>320,584</u>	<u>320,584</u>	<u>-</u>
<u>Passed Through State Department of Education:</u>							
* Title I Cluster:							
Title I-Part A, Improving Basic Programs	84.010	511	3,346,430		3,043,121	3,043,121	
Title I-Part A, Neglected	84.010	518	12,460		12,460	12,460	
Title I-Part D, Neglected	84.010	532	2,578		2,578	2,578	
Title I-School Support	84.010	515	498,920		348,461	348,461	
Subtotal - Title I Cluster			<u>3,860,388</u>	<u>-</u>	<u>3,406,620</u>	<u>3,406,620</u>	<u>-</u>
Title II-Part A, Teacher & Principal Training	84.367	541	434,040		434,040	434,040	
Title III, English Language Acquisition	84.365	572	69,444		69,444	69,444	
Title IV-SSAE Grant	84.424A	552	212,760		212,760	212,760	
* Education Stabilization Funds (Covid19)							
ESSER Afterschool Program	84.425U	559	406,014		199,231	199,231	
ESSER II (Covid19)	84.425D	793	2,547,089		1,269,660	1,269,660	
ARP/ESSER School Counselor Grant (Covid19)	84.425U	722	93,000		93,000	93,000	
ARP/ESSER III Student Teacher Stipend	84.425U	725	3,498		3,498	3,498	
ARP/ESSER III (Covid19)	84.425U	795	23,223,633		7,597,012	7,597,012	
Subtotal - Education Stabilization Funds (Covid19)			<u>26,273,234</u>	<u>-</u>	<u>9,162,401</u>	<u>9,162,401</u>	<u>-</u>
Special Education Cluster:							
IDEA-B Professional Development	84.027	615	14,720		9,489	9,489	
IDEA-B Flowthrough	84.027	621	1,175,635		991,739	991,739	
IDEA-B Flowthrough, Private Schools	84.027	625	8,109		2,905	2,905	
ARP/IDEA-B Flowthrough	84.027X	628	278,731		133,957	133,957	
IDEA-B Preschool	84.173	641	43,400		19,894	19,894	
ARP/IDEA-B Preschool	84.027X	643	15,886		13,161	13,161	
Subtotal - Special Education Program (Cluster)			<u>1,536,481</u>	<u>-</u>	<u>1,171,145</u>	<u>1,171,145</u>	<u>-</u>
<b>Subtotal - Passed Through State Dept of Education</b>			<u>32,386,347</u>	<u>-</u>	<u>14,456,410</u>	<u>14,456,410</u>	<u>-</u>
<u>Passed Through State Department of Career and Technology Education:</u>							
Carl Perkins Grant	84.048	421	\$ 130,378		130,378	130,378	
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
P-EBT Program	10.649	760			3,063	3,063	-

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Pass-through Grantor's Project <u>Number</u>	Program or Award <u>Amount</u>	Beginning Balance <u>7/1/2021</u>	Revenue <u>Collected</u>	Total <u>Expenditures</u>	Ending Balance <u>6/30/2022</u>
Child Nutrition Cluster:							
Cash Assistance:							
Commodity Credit Corp.	10.555	759			99,233	99,233	
Emergency Operational Cost Reimb.	10.555	762			259,498	162,125	97,373
National School Lunch Program	10.555	763		123,980	2,366,794	1,928,763	562,011
School Breakfast Program	10.553	764			596,429	596,429	
Summer Food Program	10.559	766			100,756	100,756	
Fresh Fruit & Vegetable Program	10.582	768			84,117	84,117	
<i>Cash Assistance Subtotal</i>				<u>123,980</u>	<u>3,506,827</u>	<u>2,971,423</u>	<u>659,384</u>
<i>Passed Through State Department of Human Services:</i>							
Non-cash Assistance (Commodities)	10.555	N/A				228,186	
Subtotal - Child Nutrition Program (Cluster)				<u>123,980</u>	<u>3,506,827</u>	<u>3,199,609</u>	<u>659,384</u>
<b>Subtotal - Department of Agriculture</b>				<u>123,980</u>	<u>3,509,890</u>	<u>3,202,672</u>	<u>659,384</u>
 <u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130	563	\$ 67,500		50,779	50,779	
Johnson O'Malley 3 month	15.130	564	2,514		2,514	2,514	
Medicaid	93.778	698	43,565		43,565	34,638	8,927
FEMA Grant-BF	12.112	594		(75,000)	75,000		
In Lieu of Tax-Public Housing	15.226	775	21,920		21,920	21,920	
Flood Control	12.112	774	3,893		3,893	3,893	
<b>Subtotal - Other Federal Assistance</b>			<u>139,392</u>	<u>(75,000)</u>	<u>197,671</u>	<u>113,744</u>	<u>8,927</u>
 <b>Total Federal Assistance</b>			<u>\$ 32,976,701</u>	<u>48,980</u>	<u>18,614,933</u>	<u>18,223,788</u>	<u>668,311</u>

\* Major federal programs

Note 1 - Commodities received by the District in the amount of \$228,186 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount. These commodities are reported at fair market value.

Note 2 - There were no amounts passed to subrecipients.

Note 3 - Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

Note 4 - The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Expenditures are reported on the GAAP basis of accounting consistent with the preparation of the combined financial statements. These expenditures are recognized following the cost principles contained in the Uniform Guidance. The District has also elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education  
Muskogee School District  
Muskogee, OK 74401

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskogee School District No. 1-20, Muskogee, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 10, 2023. This report was unqualified with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 10, 2023



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education  
Muskogee School District No. I-20  
Muskogee, Oklahoma 74401

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the Muskogee School District No. I-20, Muskogee, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Muskogee School District No. I-20, Muskogee, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (The Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Muskogee School District No. I-20, Muskogee, Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment

made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 10, 2023

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JULY 1, 2021 TO JUNE 30, 2022**

**Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the basic financial statements in conformity with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Uniform Guidance.
7. Identification of Major Programs: Education Stabilization Fund (84.425D,84.425U) programs and Title I (84.010) programs, which were each clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The District did qualify to be a low-risk auditee.

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
DISPOSITION OF PRIOR YEAR FINDINGS  
JULY 1, 2021 TO JUNE 30, 2022**

**Findings Related to the Financial Statement Audit:**

There were no prior year findings.

**INDEPENDENT SCHOOL DISTRICT NO. I-20, MUSKOGEE COUNTY  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2021 TO JUNE 30, 2022**

State of Oklahoma    )  
County of Tulsa        )

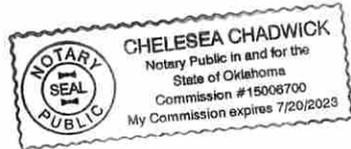
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Muskogee School District for the audit year 2021-2022.

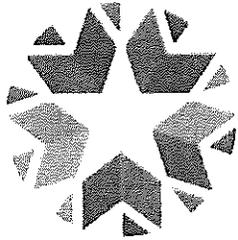
Jenkins & Kemper, CPAs, P.C.  
AUDITING FIRM

BY *Michele M. [Signature]*  
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
10th day of, March, 2023

*Chelesea Chadwick*  
NOTARY PUBLIC





# OKLAHOMA Education

Audit Acknowledgement  
Audit Year: 2021-2022

District Name Muskogee Public School

District Number 1-20

County Name Muskogee

County Code 51

The annual independent audit was presented to the Board of Education in a meeting conducted in accordance with the Open Meeting Act 25 O.S. Section 301-314 on 3/21/23.

Date of Meeting

The audit was presented by Jenkins & Kemper, CPAs P.C.

(Independent Auditor)

[Signature]  
(Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Signature of the Board of Education:

[Signature]  
Superintendent

[Signature]  
Board of Education President

[Signature]  
Board of Education Vice President

[Signature]  
Board of Education Member

[Signature]  
Board of Education Member

[Signature]  
Board of Education Member

Board of Education Member

Subscribed and sworn before me on March 21, 2023

My Commission expires 3-3-2026

[Signature]  
(Notary Public)

CARLA D COOPER  
NOTARY PUBLIC - STATE OF OKLAHOMA  
MY COMMISSION EXPIRES MAR. 03, 2026  
COMMISSION # 06002403

Updated 7/2021